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Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 COME-00 L-03 TRSE-00 FBIE-00 CPR-01
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APPROVED BY EUR/SOV:MGARRISON
COMMERCE/BEWT/USSR:HHEISS (SUBS)
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EUR/SOV:WHEDGAR
DESIRED DISTRIBUTION
FBI
----------150416Z 007517 /10
P 142300Z MAY 77
FM SECSTATE WASHDC
TO AMEMBASSY MOSCOW PRIORITY

C O N F I D E N T I A L STATE 110467

E.O. 11652: GDS

TAGS: PFOR, UR, US

SUBJECT: SOVIET ACQUISITIONS OF PROPERTY

REF: STATE 92728

1. ON MAY 12, EUR/SOV DEPUTY DIRECTOR EDGAR CALLED IN SOVIET TRADE REPRESENTATIVE MKRTUMOV TO PROTEST THE RENTING OF OFFICE SPACE BY BELARUS MACHINERY, THE NEW SOVIET TRACTOR COMPANY, WITHOUT PRIOR DEPARTMENT APPROVAL. EDGAR EMPHASIZED THAT WE WERE PARTICULARLY CONCERNED BECAUSE THE RENTAL OF THE OFFICE SPACE WITHOUT PRIOR APPROVAL WAS AT VARIANCE WITH PROCEDURES THAT
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HAD BEEN COMMICATED BY THE DEPARTMENT IN VARIOUS WAYS, INCLUDING OUR NOTE OF JANUARY 7, DISCUSSIONS BETWEEN THE DEPARTMENT AND THE SOVIET EMBASSY, THE INITIAL EXCHANGE OF LETTERS SETTING UP THE TRACTOR COMPANY, AN EXCHANGE OF LETTERS BETWEEN THE AMERICAN VICE PRESIDENT OF BELARUS MACHINERY AND THE DEPARTMENT, AND OUR NOTE OF MAY 3 WHICH CLARIFIED ALL PREVIOUS DISCUSSIONS

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REGARDING PROCUDURES FOR ACQUIRING PROPERTY AND OFFICE SPACE. YET, EDGAR SAID, WE HAVE STILL NOT RECEIVED A NOTE FOR BELARUS MACHINERY PREMISES; INSTEAD, WE HAVE LEARNED THAT OFFICES HAVE BEEN ACQUIRED AT THE DRAKE HOTEL AND AT 450 PARK AVENUE.

SINCE WE HAD AT LEAST RECEIVED INFORMAL NOTIFICATION ABOUT THE OFFICE AT 450 PARK AVENUE, EDGAR CONTINUED, WE ARE PREPARED TO APPROVE THAT RENTAL AFTER A FORMAL REQUEST FROM THE SOVIET EMBASSY HAS BEEN RECEIVED. WE ARE NOT PREPARED TO APPROVE THE DRAKE HOTEL OFFICE, HOWEVER. BECAUSE OUR PROCEDURES WERE SO FLAGRANTLY VIOLATED, WE MUST INSIST THAT THE OFFICE BE VACATED IMMEDIATELY.

2. MKRTUMOV REPLIED THAT THE OFFICE AT 450 PARK AVENUE HAD NOT BEEN RENTED BECAUSE THE STATE DEPARTMENT HAD "DISAPPROVED" IT. INSTEAD A SOVIET REPRESENTATIVE OF BELARUS MACHINERY HAD RENTED A SUITE IN THE DRAKE HOTEL IN ORDER TO LIVE AND WORK THERE. HE ARGUED THAT IT WAS DISCRIMINATORY AND HIGHLY UNUSUAL TO REQUIRE AN EMBASSY TO REQUEST PREMISES FOR COMMERCIAL ORGNAIZATIONS. EDGAR SAID THE DEPARTMENT HAS NOT OBJECTED TO THE 450 PARK AVENUE OFFICE AND THAT WE ARE PREPARED TO APPROVE IT IF THE SOVIET EMBASSY SUBMITS A NOTE. HE REITERATED THAT THE DRAKE HOTEL OFFICE SHOULD BE VACATED IMMEDIATELY.

3. WHEN MKRTUMOV INTERJECTED THAT HE HAD NOT SEEN OUR CONFIDENTIAL

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CLARIFYING NOTE OF MAY 3, EDGAR READ TEXT AND SAID THAT, IF THE SOVIET GOVERNMENT DOES NOT LIKE THIS PROCEDURE, IT SHOULD REPLY TO OUR NOTE AND SUGGEST AN ALTERNATIVE. THE SOLUTION, HOWEVER, WAS NOT CONTINUED VIOLATION OF OUR PROCEDURES AND REGULATIONS. IT IS US POLICY THAT MATTERS RELATING TO THE FORMATION AND OPERATION OF SOVIET COMPANIES IN THE US ARE A SUBJECT FOR GOVERNMENT-TO-GOVERNMENT DISCUSSIONS. EDGAR EMPHASIZED THAT WE ARE NOT TRYING TO INTERFERE WITH THE ESTABLISHMENT OF THIS COMPANY, BUT WE DO REQUIRE NOTIFICATION FROM THE SOVIET GOVERNMENT PRIOR TO THE ACQUISITION OF PROPERTY AND OFFICE SPACE, THE FORM IN WHICH THIS NOTIFICATION IS CONVEYED COULD BE A MATTER FOR FURTHER DISCUSSION.

5. MKRTUMOV SUGGESTED THAT SOVIETS MIGHT RETALIATE BY REQUIRING US EMBASSY TO SUBMIT NOTES WHEN US FIRMS IN USSR WANTED OFFICE SPACE, OR BY WITHDRAWING UPDK "SERVICES", THUS LEAVINGUS FIRMA UNAIDED IN EFFORTS

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TO FIND OFFICE SPACE IN MOSCOW. HE ADDED THAT THIS QUESTION SHOULD PERHAPS BE DISCUSSED AT THE JOINT COMMERCIAL COMMISSION. FINALLY, HE NOTED THAT, WHILE HE WAS UNSURE OF THE METHOD TO SETTLE THIS QUESTION, HE WAS POSITIVE THE STATE DEPARTMENT PROCEDURES WOULD NOT LEAD TO AN EXPANSION OF TRADE. EDGAR CONCLUDED

THE MEETING BY EXPRESSING HOPE THAT THIS QUESTION WOULD BE RESOLVED BEFORE THE JOINT COMMERCIAL COMMISSION AND REITERATING HIS SUGGESTION THAT THE SOVIETS PROPOSE AN ALTERNATIVE PROCEDURE IF THEY FOUND SUBMISSION OF DIPLOMATIC NOTES ON BEHALF OF COMMERCIAL ESTABLISHMENTS UNACCEPTABLE.
CHRISTOPHER

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